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COSTS and RETURNS



**Western
Livestock
Ranches**

1963

FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1963 costs and returns studies have been conducted on the following:

- Commercial Dairy Farms, Northeast and Midwest.
- Commercial Corn Belt Farms.
- Commercial Egg-Producing Farms, New Jersey.
- Commercial Broiler Farms, Maine, Delmarva, and Georgia.
- Commercial Cotton Farms.
- Commercial Tobacco Farms, Coastal Plain, North Carolina.
- Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky.
- Commercial Wheat Farms, Plains and Pacific Northwest.
- Western Livestock Ranches.

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1963 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised, 1963.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C., 20250.

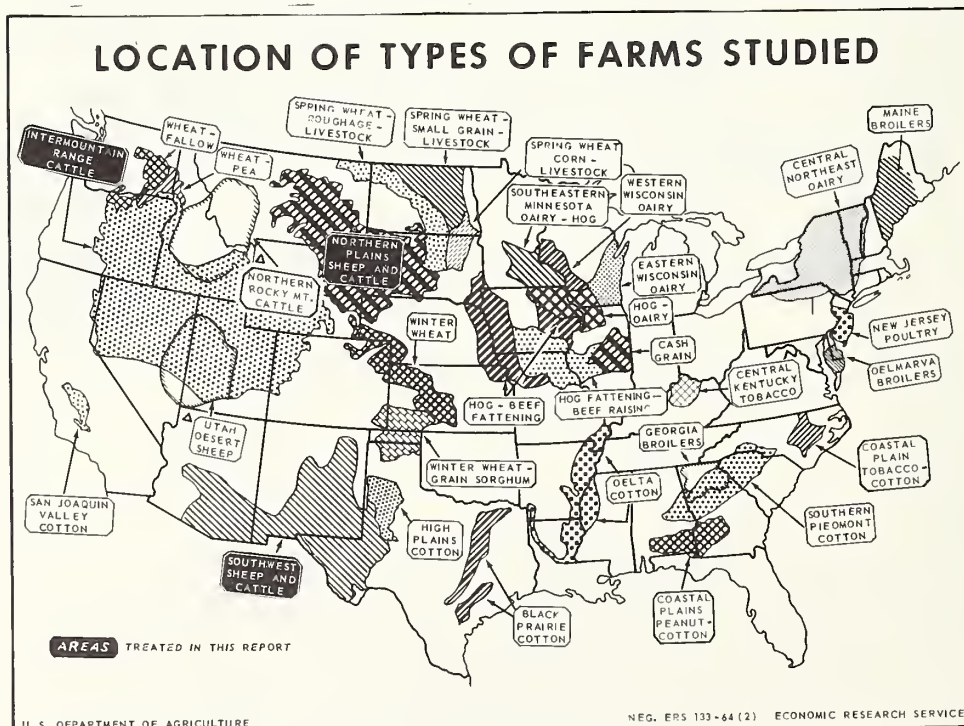


Figure 1

COSTS AND RETURNS

WESTERN LIVESTOCK RANCHES, 1963

Wylie D. Goodsell and James R. Gray¹

SUMMARY

Operations in 1963 on typical Western livestock ranches in 3 widely separated areas showed considerable variation (fig. 1). Changes in net ranch income from 1962 to 1963 ranged from a 25-percent increase on sheep ranches in the Northern Plains to a decrease of 38 percent on Southwest cattle ranches. Both cattle and sheep ranches in the Northern Plains showed increases from 1962 to 1963 in net ranch incomes whereas both cattle and sheep ranches in the Southwest showed decreases (fig. 2). Net ranch incomes in 1962 and 1963 for these typical Western livestock ranches were as follows:

	<u>1962</u>	<u>1963</u>	<u>Percentage change from 1962 to 1963</u>
Cattle ranches:			
Northern Plains	\$ 7,252	\$ 7,540	4
Intermountain	11,936	9,838	-18
Southwest	8,237	5,081	-38
Sheep ranches:			
Northern Plains	10,404	12,961	25
Southwest	7,855	5,926	-25

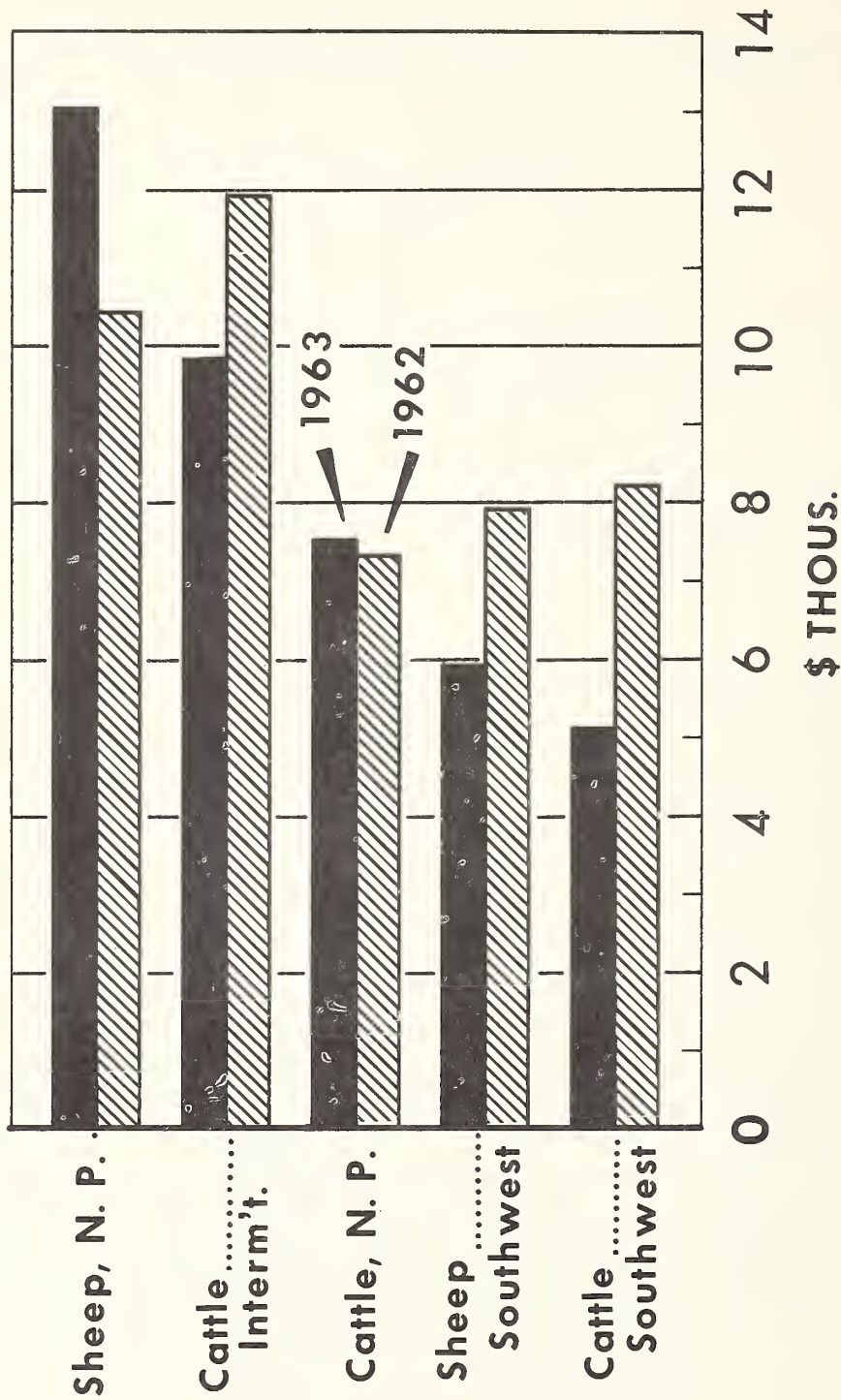
Important factors contributing to changes in net ranch income were drought and output of range, prices received for livestock (particularly cattle), and prices paid for production items (particularly hay). A favorable combination of these factors in 1963 was helpful to sheep ranchers in the Northern Plains but cattle ranchers in the Southwest experienced an unfavorable combination of them.

In 1963, cattle ranchers in the Southwest were plagued with drought and poor output of range. Animals were light in weight at market time and were sold at relatively low prices. Ranchers also paid relatively high prices for hay. In contrast, range conditions and range output were unusually good in 1963 in the Northern Plains. Feed was plentiful; wool clip and wool prices held up well; and although lamb prices were lower than in 1962 they declined relatively less than cattle prices. Lamb crop percentages in the Northern Plains in 1963 were also higher than in 1962 whereas calf crop percentages in the Southwest were lower in 1963 than the year before.

¹ Agricultural Economist, Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, and Associate Professor, New Mexico State University, respectively. The New Mexico Agricultural Experiment Station is a contributor on the continuing study of costs and returns on commercial ranches in the Western Region.

NET RANCH INCOME

Western Livestock Ranches



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Figure 2

CATTLE RANCHES

Northern Plains

With 2 successive years of favorable moisture conditions, Northern Plains cattle ranchers achieved spectacular production in 1963 (table 1). Two favorable years in succession affect livestock and overall ranch production much more favorably than 2 single years of favorable moisture separated by an unfavorable year. Livestock conditions, birth rates, and livestock weights are much improved and death losses are lower with 2 successive years of good range. All these factors were improved from 1961 and 1962 to 1963.

Much of the gain in production on Northern Plains cattle ranches in 1963 was offset by lower prices received for cattle and other products. In 1963, cash receipts from the sale of cattle and calves were down more than \$1,200 per ranch from 1962. Approximately 73 percent of this decline was due to lower prices received for cattle and calves. Lower prices received for cattle along with favorable range conditions caused many ranchers to delay selling calves and yearlings beyond the normal marketing period. Inventory numbers reached a record high in 1963. Some ranchers held unusually high inventories of hay. Because supplies were plentiful, some ranchers sold small quantities of hay, whereas they would normally buy hay. Crop receipts were higher in 1963 than in 1962, despite lower prices for wheat and hay.

Cattle ranchers in the Northern Plains loosened their belt-tightening policies of the last 2 years and purchased moderate amounts of new machinery, motor vehicles, and

improved ranges. Also, because livestock prices were lower, and feed and range conditions were favorable, operators put out considerable outlay for livestock replacements. Total cash expenditures in 1963 were 14 percent higher than in 1962. Total cash receipts per ranch were lower in 1963 but net ranch incomes were slightly higher mainly because of a large inventory gain. With a moderate increase in charge for capital, the returns per hour to operator and family labor again exceeded \$1.00.

Summary index numbers portray the mixed conditions prevailing on livestock ranches in the Northern Plains in 1963. All production indexes advanced--some spectacularly. Cost per unit of production was less in 1963 than in 1962. Net ranch income remained near the 1962 level despite a 19-percent increase in net ranch production. Prices received decreased 13 percent and prices paid remained unchanged from 1962.

Intermountain Region

Net ranch incomes in 1963 on typical Intermountain cattle ranches averaged about 18 percent lower than in 1962 and were the lowest since 1960. They were approximately 14 percent lower than the 1957-59 average. Lower returns in 1963 resulted from a combination of factors such as lower prices received for calves and other cattle sold, slightly higher prices paid for items used in production, poor range conditions prior to marketing time, and lower net ranch production.

In 1963, the overall index of prices received for products sold

Table 1.- Costs and Returns, Western Cattle Ranches, 1962 and 1963

Item	Unit	Northern Plains		Intermountain region		Southwest	
		1962	1963 1/	1962	1963 1/	1962	1963 1/
Land in ranch.....	Acre	4,410	4,430	1,755	1,760	11,250	11,300
Livestock on ranch:							
All cattle.....	Number	130	142	284	290	232	236
Cows and heifers, 2 years old and over.....	do.	91	94	145	150	151	154
Calf crop.....	Percent	86	87	84	84	82	81
Total ranch capital, Jan. 1.....	Dollar	83,510	89,260	89,910	95,550	154,700	179,190
Land and buildings.....	do.	50,660	52,830	37,730	39,780	126,640	139,390
Livestock.....	do.	21,900	25,510	41,190	45,110	31,510	32,860
Machinery and equipment.....	do.	7,830	7,730	6,190	6,530	4,830	5,330
Crops.....	do.	3,120	3,190	4,800	4,130	1,720	1,610
Total cash receipts.....	do.	10,554	10,086	17,285	15,863	16,296	12,525
Crops.....	do.	871	1,648	0	0	0	0
Cattle.....	do.	8,914	7,706	17,100	15,687	15,796	11,893
Other livestock and livestock products.....	do.	409	432	41	30	130	342
Other, including Government payments.....	do.	360	300	144	146	370	290
Value of perquisites.....	do.	1,091	998	834	836	1,057	895
Inventory change:							
Livestock.....	do.	1,975	3,353	863	562	567	1,647
Crops.....	do.	479	580	47	199	-27	269
Gross ranch income.....	do.	14,099	15,017	19,029	17,460	17,893	15,336

Total cash expenditures.....	Dollar	6,382	7,277	7,322	7,821	10,528	10,410
Feed and grazing fees.....	do.	498	301	818	1,269	1,198	2,135
Livestock purchased.....	do.	1,015	1,665	507	431	2,544	2,125
Other livestock expense.....	do.	135	151	104	108	151	158
Crop expense.....	do.	49	65	114	127	7	10
Machinery purchased.....	do.	1,181	1,440	1,492	1,518	1,583	1,315
Other machinery expense.....	do.	1,410	1,457	1,386	1,379	1,346	1,374
Ranch buildings and fences.....	do.	450	530	235	240	1,300	900
Labor hired.....	do.	370	574	1,151	1,148	851	742
Taxes.....	do.	950	842	1,376	1,460	1,041	1,147
Other.....	do.	324	252	139	141	507	504
Inventory adjustment:							
Buildings and fences.....	do.	29	-14	-20	-25	-388	12
Machinery and equipment.....	do.	436	214	-209	-174	-484	-167
Gross expense.....	do.	6,847	7,477	7,093	7,622	9,656	10,255
Net ranch income.....	do.	7,252	7,540	11,936	9,838	8,237	5,081

Ranch production and price indexes (1957-59=100)

Net ranch production.....	---	99	118	104	102	116	98
Range condition.....	---	99	103	101	101	97	93
Prices received for products sold.....	---	116	101	104	95	102	95
Prices paid, including wages to hired labor..	---	98	98	109	110	110	111

1/ Preliminary.

Note: The information presented here is on owner-operator basis primarily for comparability between types of ranches. Net ranch income is the return to operator and unpaid members of the family for their labor and management on the ranch and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

on these ranches was about 9 percent lower than a year earlier (table 1). This was the result of lower prices received for cattle, mostly feeder calves as practically all of the income comes from the cattle enterprise. In the fall of 1963, feeder calves in this area brought about \$24.60 per hundred-weight compared with \$27.50 in 1962. In addition range calves in the Intermountain area in 1963 averaged the lightest since the mid-1930's and were 6 percent lighter than a year earlier.

Range conditions in the first 9 months of 1963 were below those for the same period a year earlier. They improved in late summer of 1963 but too late to assist market weights for 1963. Net ranch production was about 2 percent below that for 1962.

Prices paid by Intermountain cattle ranchers for goods and services used in production continued edging upward in 1963 and averaged 1 point higher than in 1962, and 10 percent above the 1957-59 average. Most expenditures on these ranches, except for feed and grazing costs, are for non-farm produced items, and prices of nonfarm-produced items were slightly higher in 1963 compared with 1962 and earlier years.

Hay supplies were plentiful again on the irrigated farms in the valleys in 1963, and ranchers paid about \$4 per ton less than in 1962. However, ranch operators purchased considerably more hay in 1963 because of continued drought in the early part of the year. Grazing fees are based on prices received for cattle in the previous year and thus were higher per animal-unit-month in 1963 than in 1962. Livestock numbers on these ranches were also slightly higher in 1963.

Consequently total feed costs were about 55 percent higher than in 1962. Total cash expenditures averaged about 7 percent higher in 1963 than in 1962.

August and September rains definitely improved production conditions in the latter part of the year in the Intermountain area. In addition an early snow pack in the higher elevations became evident thus improving the outlook for 1964 production conditions. Therefore, despite some price uncertainties in the general beef cattle industry, these ranchers built their breeding herds to record high's in 1963. Total value of investment per ranch was not far from the \$100,000 mark with the biggest gain in livestock assets.

Southwest

Despite drought and a generally unfavorable year in 1963, cattle numbers continued to increase on Southwest cattle ranches. They have increased annually in recent years. Drought prevailed in most of the area despite favorable moisture conditions in August. Drought was most severe in the eastern and northern portions of the area and range conditions improved only in the Arizona portion of the study area (fig. 1). Range forage conditions improved slightly in the latter part of 1963. Because of poor range conditions in 1962 and early in 1963, calf crop percentages were lower, death losses were higher, and ranchers were forced to feed heavier in 1963 than in 1962. Very poor range conditions prior to market time caused disappointing market weights for livestock.

Cash receipts in 1963 were substantially lower than in 1962, and lower than the average for 1957-59.

Low calf prices discouraged many ranchers from selling calves, despite relatively poor feed conditions. Stocker and feeder prices at \$23.35 per hundredweight, in 1963, were down \$2.30 per hundredweight below a year earlier. Prices in 1962 were considered only moderately favorable.

Ranchers attempted to reduce cash expenditures wherever they could. They deferred making range improvements, reduced purchases of replacement livestock, curtailed buying machinery and vehicle replacements, and cut labor costs. However, substantially larger feed purchases offset most of this saving,

and cash expenditures were essentially the same in 1963 as in 1962.

Net ranch incomes on typical Southwestern cattle ranches averaged 38 percent lower than those in 1963. They declined from an average of \$8,237 per ranch in 1962 to \$5,081 in 1963. Returns per hour of operator and family labor were also substantially less in 1963 than in 1962. Land prices advanced to record high levels from 1962 to 1963 thus causing record high capital charges. Prices paid by these ranchers for items and services used in production in 1963 increased slightly whereas prices received for products sold declined significantly.

SHEEP RANCHES

Northern Plains

Northern Plains sheep producers, like cattle ranchers, experienced improved range condition in 1963. Cash receipts were much higher in 1963 than in 1962, as sheepmen obtained higher lamb crop percentages from larger breeding herds they had built up after the drought 2 years earlier. Wool prices, at 49 cents per pound grease-weight, were the best in several years and more sheep plus fleece weights that were only fractionally lower in 1963 than in 1962, combined to make 1963 a good income year for sheepmen in this area (table 2). Net ranch incomes on these ranches averaged nearly 25 percent higher in 1963 compared with a year earlier and were the highest since 1958.

With the favorable range conditions in this area in 1963, sheep ranchers shifted some of their cash expenditures from feeds to purchases of new machines, motor vehicles, and range improvements.

Operating sheep under fence has become more popular in the Northern Plains area, and many ranchers are constructing sheep-tight fences. Fence and building costs in both 1962 and 1963 were twice as high as they were in 1957-59.

Average net ranch incomes of \$12,961 were second highest recorded for Northern Plains sheep ranchers. (They were \$19,555 in 1951.)

Almost all of the indexes of production, income, costs and efficiency indicated improvement in 1963. The exceptions were the indexes of prices received and prices paid. Prices received in 1963 decreased about 2 percent from 1962 and prices paid increased about 6 percent. Range conditions were especially favorable--particularly during the critical spring lambing period. Net ranch production averaged 19 percent higher in 1963 compared with 1962.

Table 2.- Costs and Returns, Western Sheep Ranches, 1962 and 1963

Item	Unit	Northern Plains			Southwest		
		1962	1963	1963 1/2	1962	1963	1963 1/2
Land in ranch.....	Acre	6,638	6,700		13,510		13,520
Livestock on ranch:							
Sheep.....	Number	1,294	1,396		1,309		1,256
Ewes.....	do.	1,137	1,193		1,018		1,016
Lamb crop.....	Percent	87	89		77		77
Fleece weight.....	Pound	10.4	10.3		9.8		9.8
Total ranch capital, Jan. 1.....	Dollar	95,350	100,850		209,460		219,460
Land and buildings.....	do.	66,020	67,200		181,330		192,410
Livestock.....	do.	21,520	25,480		22,660		21,430
Machinery and equipment.....	do.	6,660	6,730		4,720		5,000
Crops.....	do.	1,150	1,440		750		620
Total cash receipts.....	do.	22,154	25,718		20,158		18,405
Crops.....	do.	571	828		0		0
Sheep and lambs.....	do.	11,675	14,397		8,375		7,817
Wool.....	do.	5,850	6,844		5,713		5,577
Wool payments.....	do.	2,013	2,206		1,859		1,633
Other livestock and livestock products.....	do.	1,745	1,143		3,401		3,178
Other, including Government payments.....	do.	300	300		310		200
Value of perquisites.....	do.	1,012	942		885		830
Inventory change:							
Livestock.....	do.	1,891	605		-368		-68
Crops.....	do.	425	-109		-155		235
Gross ranch income.....	do.	25,482	27,156		20,520		19,402

Total cash expenditures.....	Dollar	15,615	14,949	11,772	12,311
Feed and grazing fees.....	do.	3,984	2,950	1,888	2,902
Livestock purchased.....	do.	1,966	1,436	1,785	1,542
Other livestock expense.....	do.	268	293	417	454
Crop expense.....	do.	15	29	8	11
Machinery purchased.....	do.	1,657	1,678	1,244	1,003
Other machinery expense.....	do.	1,409	1,429	1,387	1,419
Ranch buildings and fences.....	do.	970	1,180	450	380
Labor hired.....	do.	3,039	3,499	2,552	2,503
Taxes.....	do.	1,237	1,262	1,209	1,287
Other.....	do.	1,070	1,193	832	810
Inventory adjustment:					
Buildings and fences.....	do.	-415	-571	1,142	1,151
Machinery and equipment.....	do.	-122	-183	-249	14
Gross expense.....	do.	15,078	14,195	12,665	13,476
Net ranch income.....	do.	10,404	12,961	7,855	5,926

Ranch production and price indexes (1957-59=100)

Net ranch production.....	---	103	123	102	95
Range condition.....	---	99	103	97	93
Prices received for products sold.....	---	97	95	92	93
Prices paid, including wages to hired labor.....	---	98	104	103	113

1/ Preliminary.

Note: The information presented here is on owner-operator basis primarily for comparability between types of ranches. Net ranch income is the return to operator and unpaid members of the family for their labor and management on the ranch and return to total capital. No allowance has been made for payment of rent, interest or mortgage.

Southwest

Sheep ranches in the Southwestern livestock region are concentrated in the eastern half of the area (fig. 1). Unfavorable weather conditions in this part of the region in 1963--coupled with lower lamb prices--adversely affected the lamb business. Lamb prices averaged 15.5 cents per pound and alfalfa hay \$35 per ton in 1963 compared with 16.1 cents for lambs and \$26 for hay in 1962. Wool prices advanced slightly in 1963.

Land prices continued upward in this area and helped to increase the average investment per ranch to a record high of \$219,460 in 1963 (table 2). This total investment per ranch again exceeded totals in other western ranching areas in 1963.

Cash receipts in 1963 were approximately 9 percent below those received in 1962 and about 6 percent below the average for 1957-59. They were about 19 percent below peak receipts reached in 1961. Although wool prices in 1963 were higher than in 1962, Southwestern ranchers had fewer sheep and sheared less wool in 1963. The average wool clip per animal sheared was about the same in 1962 and 1963, but total quantity of wool sold was about 5 percent less in 1963. Total receipts from

wool, including wool payments, totaled \$7,210 per ranch, or about 5 percent less than in 1962.

Feed costs were the major cost on Southwestern sheep ranches in 1963. Sheep ranchers, like cattle ranchers, attempted to hold costs down. Despite reduced outlays for livestock replacements and a few other items, significantly higher outlays for feed caused an increase in total cash expenditures. Total operating expenses were about 6 percent higher in 1963 than in 1962.

Net ranch income averaged \$5,926 per ranch. This was \$1,929 less than in 1962, and nearly \$4,200 less than the recent high of \$10,121 in 1961.

Most production indexes on these sheep ranches decreased from 1962 to 1963, and most of them were lower than the 1957-59 average. The price increase for wool offset a price decrease in lambs. The overall index of prices received by ranchers increased very little from 1962 to 1963. Prices paid by sheep ranchers for items used in production increased to a record high level in 1963, about 10 percent higher than in 1962. Most of this resulted from substantially higher prices paid for feed, but higher prices for machinery, taxes, and labor wage rates also contributed.